

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 L-03 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 IO-10

NSC-05 SS-15 STR-04 CEA-01 H-02 PM-04 DODE-00 PA-01

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FM AMCONSUL LUANDA

TO SECSTATE WASHDC 4127

INFO AMEMBASSY LISBON

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E.O. 11652: N/A

TAGS: EFIN EINV AO

SUBJECT: STATUS OF BANCO INTER-UNIDO

REF: STATE 205793

1. I TALKED ON SEPTEMBER 4 WITH DIRECTOR GENERAL OF FINANCE MARIO NELSON. NELSON SAID THE ASSUMPTION BY THE GOVERNMENT OF CONTROL OF THE BANKS IS CONSIDERED A TEMPORARY MEASURE, BUT THAT IT IS DIFFICULT TO SAY WHEN IT WILL END BECAUSE THE CRISIS CONTINUES.

2. NELSON SAID THE GOVERNMENT TOOK SUCH A DRASTIC STEP BECAUSE THE BANKS WERE ON THE VERGE OF CLOSING; INTER-UNIDO WAS IN A SOMEWHAT BETTER POSITION THAN THE OTHERS BECAUSE WHEN THE CHAMPAULIMAUD GROUP WAS NATIONALIZED IN PORTUGAL, THEIR BANK HERE, THE BANCO PINTO E SOTTO MAYOR, TRANSFERRED 300,000,000 ESCUDOS TO INTER-UNIDO.

IN GENERAL, HOWEVER, THE BANKS WERE GOING BROKE, THERE WERE FEW DEPOSITS, MANY WITHDRAWALS, NO MONEY FOR LOANS, PRODUCTION WAS DOWN. THE LAST STRAW CAME WHEN THE GOVERNMENT RECEIVED WORD OF

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THE FNLA ORDER TO BRANCH BANKS IN THE NORTH THAT THEY WERE NOT

TO PERMIT CASH TRANSFER TO LUANDA NOR WERE THEY TO OBSERVE THE 15,000 ESCUDOS PER WEEK WITHDRAWAL LIMIT. THIS WAS INTOLERABLE. THOSE WHO ARE WITHDRAWING FUNDS ARE WHITES WHO ARE LEAVING THE COUNTRY AND TAKING THE MONEY WITH THEM. UNLESS SOMETHING WERE DONE, THERE WOULD SOON WOULD HAVE BEEN NO MONEY IN CIRCULATION. NELSON POINTED OUT THAT THE BANKS THEMSELVES HAD ASKED THAT EMERGENCY MEASURES BE INTRODUCED. UNFORTUNATELY, HE ADDED, THEIR PROPOSAL WAS THAT THE BANK OF ANGOLA COVER ALL THEIR PAPER SO THAT THEY WOULD RUN NO RISKS.

3. THROUGH THE EMERGENCY MEASURE IT HAS IMPOSED, SAID NELSON, THE GOVERNMENT IS NOW ABLE TO INSURE THAT THE BANKING SYSTEM FUNCTIONS IN A COORDINATED FASHION. THE INSTITUTO DE CREDITO AND THE BANK OF ANGOLA ARE PROVIDING LOANS TO BASIC INDUSTRIES WHOSE FUNCTIONING IS ESSENTIAL TO THE ECONOMY -FOOD PRODUCTION IS RECEIVING THE MOST EMPHASIS. THE BIG PROBLEM RIGHT NOW IS A LACK OF TECHNICALLY QUALIFIED PERSONNEL AT THE INSTITUTO DE CREDITO, WHICH IS TAKING MOST OF THE LOAN APPLICATIONS. MANY WHITES HAVE GONE AND WHEREAS THE INSTITUTO USE TO RECEIVE THREE OR FOUR APPLICATIONS WEEK IT NOW GETS TWENTY AND HAS MANY FEWER TECHNICIANS TO PROCESS THEM.

4. IN CONCLUSION, NELSON SAID IT IS BETTER TO HAVE THE SITUATION LIKE IT IS NOW THAN RISK THE PANIC THAT MOST CERTAINLY WOULD HAVE ENSUED HAD THE BANKS GONE UNDER. NOBODY IS HAPPY WITH THE SITUATION, BUT AT LEAST THE BANKS ARE FUNCTIONING, AND THERE IS SOME COHERENCE IN THE BANKING SYSTEM. A GENERAL FAILURE WOULD HAVE BROUGHT WIDESPREAD VIOLENCE, PRODUCTION WOULD HAVE COME TO AN ABSOLUTE STANDSTILL, AND MORE WHITES WOULD BE LEAVING.

5. FINALLY, NELSON SAID HE REPLIED TO THE CITIBANK CABLE OF AUGUST 25, ASKING FOR RECOMMENDATIONS AND SUGGESTIONS IN LIGHT OF THE CRISIS, BUT HAS NOT HEARD FROM THEM.

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